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C O N F I D E N T I A L SECTION 01 OF 02 HARARE 000766

SIPDIS

FOR INR/I, AF, AND AF/S

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SUBJECT: (U) SNAPSHOT OF ZIMBABWE GRAIN STOCKS (C-AL4-00228)

REF: A) HARARE 00305 B) HARARE 00349 C) HARARE 00170

D) STATE 52658

Classified By: DCM ROBERT E. WHITEHEAD DUE TO 1,4 (C) AND (D).

1. (c) Following is a snapshot of the current grain stock situation in Zimbabwe. We caution that grain stocks are a moving target and unimpeachable data is difficult to come by, since the GOZ has taken to treating Grain Marketing Board (GMB) information as a de facto state secret. Nonetheless, we have been able to tap a variety of sources and piece together the following answers to questions posed in refteled, and have included our analysis of likely GOZ intentions.

1A. (c) The UNDP resrep informs us that the UN has sketchy information indicating that the GMB is currently holding at least 200,000 MT of grain. An EU expert projects that the GMB held as much as 300,000 MT but believes they may have drawn this down to as little as 50,000 MT to make room for new purchases from the upcoming harvest. A 200-300,000 MT figure does not represent an unusual amount. The GOZ has canceled a UN pre-harvest crop assessment, but virtually everyone scoffs at Minister of Agriculture's Made's claims that the upcoming harvest will yield 1.7 million MT of maize. Most experts estimate a yield similar to 2003 -- 800-900,000 MT. This would satisfy approximately 60% of national consumption.

1B. (c) Most of the GMB grain has come from holdover stocks or local purchases, which we expect to be boosted by a recent doubling of the GMB farm gate purchase price and a GMB offer to provide free grain sacks and transportation for purchases from smallholder farmers. The Government of the Republic of Zambia (GRZ) reportedly owes Zimbabwe (GMB) 100,000 MT of maize from past borrowing to meet Zambian shortfalls. The GRZ is reportedly reimbursing this debt from this year's crop surplus. There is no indication that there have yet been major seizures of grain from either commercial or communal farmers. GMB officials at roadblocks do confiscate excess stocks in transit (only three sacks may be transported at a time), but this has not to date been a major source of resupply for the GMB. This may change as the harvest proceeds. Very little grain was produced on commercial farmland, much of which is lying fallow.

1C. (c) GMB grain storage facilities are for the most part in an acceptable state. These facilities are scattered throughout the country. Normal GMB policy is to rotate out old stocks and replace them with fresh purchases from the harvest to avoid spoilage. The GMB appears to be releasing holdover stocks into the market now to make way for fresh stocks.

1D. (c) The UNDP claims that the GOZ can mobilize up to USD 280 million for GMB purchases. Gold sales, increased platinum sales, and remittances have improved the forex position of the Reserve Bank of Zimbabwe (RBZ). The USD 280 million should permit the GMB to purchase 800,000 MT of grain, or however much may be needed to meet national consumption. The EU expert states that the GOZ has retained a financial facilitator who has provided them a USD 60 million line of credit backed by tobacco futures. Our EU source also said that grain brokers had told him that the GMB has already contracted for 210,000 MT, 70% of which is maize, and the balance wheat. RBZ Governor Gono recently told the Ambassador that he could not mobilize sufficient resources for commercial imports, but we note that it is not in Gono's interest to expend forex on grain that he could instead reserve for fuel and energy imports if donor largesse had met food requirements for free. UNDP resrep Angelo told the DCM that the donors should be careful not to fall in the trap of equating a shortfall in the current harvest with a humanitarian crisis, given improved GOZ ability to source grain commercially. Angelo had no sound figures on commercial purchases but believed that significant in-country deliveries would not take place until September.

1E. (c) We assume that senior GOZ leadership has information on GMB stocks that they are not sharing with the UN or bilateral donors. There is little information pointing to current politicization of the distribution of GMB grain

stocks other than in isolated cases during by-elections. Based on past performance, however, we fully expect the GOZ to use its control of food stocks to their full advantage in the March 2005 elections campaign.

12. (c) Comment. At this juncture, there are disquieting indications of a comprehensive GOZ strategy to use food as one of its many weapons against the MDC in the 2005 elections. GOZ refusal to allow a harvest assessment and public statements that donor food will not be needed are clear signals of the GOZ's intent to take control of food stocks in the crucial electoral period. This would permit them to dismantle existing foreign NGO structures in rural areas and ensure a minimum of prying eyes during the run up to elections. In sum, the GOZ appears to be positioning itself to be able to punish those who oppose it, and to reward those who fall into line, as part of a larger strategy to quash the opposition MDC totally, and once and for all.

SULLIVAN